

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Outer Continental Shelf (OCS) Beaufort Sea Alaska, Oil and Gas Lease Sale 202

AGENCY: Minerals Management Service, Interior.

ACTION: Proposed Notice of Sale. OCS Oil and Gas Lease Sale 202, Beaufort Sea

SUMMARY: The MMS proposes to hold OCS Oil and Gas Lease Sale 202 on March 28, 2007, in accordance with provisions of the OCS Lands Act (43 U.S.C. 1331-1356, as amended), the implementing regulations (30 CFR Part 256), and the OCS Oil and Gas Leasing Program for 2002-2007.

DATES: Lease Sale 202 is tentatively scheduled to be held on March 28, 2007, at the Wilda Marston Theatre, Z. J. Loussac Public Library, 3600 Denali Street, Anchorage, Alaska. Public reading will begin at 9:00 a.m. All times referred to in this document are local Anchorage, Alaska times, unless otherwise specified.

ADDRESSES: A package containing the Proposed Notice of Sale and several supporting and essential documents referenced herein are available from:

Alaska OCS Region
Information Resource Center
Minerals Management Service
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823
Telephone: (907) 334-5200 or 1-800-764-2627

These documents are also available on the MMS Alaska OCS Region's webpage at www.mms.gov/alaska.

BID SUBMISSION DEADLINE: Bidders will be required to submit bids to the MMS at the Alaska OCS Region Office, 3801 Centerpoint Drive, Suite 500, Anchorage, Alaska 99503, by 10 a.m. on the day before the sale, Tuesday, March 27, 2007. The MMS will further specify procedures for bid submission in the Final Notice of Sale which will be published no later than 30 days prior to the Bid Opening date.

PROPOSED SALE AREA: The MMS proposes to offer for bid in this sale all of the unleased acreage in the area of the Beaufort Sea identified on the map included as part of this Notice.

LEASE TERMS AND CONDITIONS: The following lease terms and condition are proposed:

Initial Period: 10 years.

Minimum Bonus Bid Amounts: \$37.50 per hectare, or a fraction thereof, for all blocks in Zone A and \$25.00 hectare, or a fraction thereof, for all blocks in Zone B. Refer to the Proposed Notice of Sale, Beaufort Sea Sale 202, March 2007 map and the *Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates* shown below.

Rental Rates: The Lessee shall pay the Lessor, on or before the first day of each lease year which commences prior to a discovery in paying quantities of oil or gas on the leased area, a rental at the rate shown below in the *Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates*. During the time period in which a lease is classified as producible, i.e., following a discovery in paying quantities, but before royalty-bearing production begins, a rental of \$13 per hectare applies in both zones and is paid at the end of each lease year until the start of royalty-bearing production.

Minimum Royalty Rates: The Lessee shall pay the Lessor, at the expiration of each lease year which commences after the start of royalty-bearing production, a minimum royalty of \$13 per hectare, or fraction thereof, with credit applied for actual royalty paid during the lease year. If actual royalty paid exceeds the minimum royalty requirement, then no minimum royalty payment is due.

Royalty Rates: A 12 1/2 percent royalty rate will apply for all blocks.

Summary Table of Minimum Bids, Minimum Royalty Rates, and Rental Rates

Terms (values per hectare or fraction thereof)	Zone A	Zone B
Royalty Rate	12 ½% fixed	12 ½% fixed
Minimum Bonus Bid	\$37.50	\$25.00
Minimum Royalty Rate	\$13.00	\$13.00
Rental Rates:		
Year 1	\$ 7.50	\$ 2.50
Year 2	\$ 7.50	\$ 3.75
Year 3	\$ 7.50	\$ 5.00
Year 4	\$ 7.50	\$ 6.25
Year 5	\$ 7.50	\$ 7.50
Year 6	\$12.00	\$10.00
Year 7	\$17.00	\$12.00
Year 8	\$22.00	\$15.00
Year 9	\$30.00	\$17.00
Year 10	\$30.00	\$20.00

Royalty Suspension Areas: Royalty suspension provisions apply to first oil production. Royalty suspensions on the production of oil and condensate, prorated by lease acreage and subject to price thresholds, will apply to all blocks. Royalty suspension volumes (RSV) are based on 2 zones, Zone A and Zone B, as depicted on the Map. More specific details regarding royalty suspension eligibility, applicable price thresholds and implementations are included in the document “Royalty Suspension Provisions, Sale 202” in the Proposed Notice of Sale 202 package. Minimum royalty requirements apply during RSV periods. Depending on surface area and zone, leases will receive a RSV as follows:

Hectares	Zone A Million Barrels RSV	Zone B Million Barrels RSV
Less than 771	10	15
771 to less than 1541	20	30
1541 or more	30	45

The RSV only applies to liquid hydrocarbon production, i.e., oil and condensates. Natural gas volumes that leave the lease are subject to original lease-specified royalties. The market value of natural gas will be determined by MMS’s Minerals Revenue Management (MRM) office. MRM will value the natural gas from Sale 202 based on its potential uses and applicable market characteristics at the time the gas is produced.

DEBARMENT AND SUSPENSION (Nonprocurement): As required by the MMS, each company that has been awarded a lease must execute all copies of the lease (Form MMS-2005 (March 1986) as amended), pay by EFT the balance of the bonus bid amount and the first year’s rental for each lease issued in accordance with the requirements of 30 CFR 218.155, and satisfy the bonding requirements of 30 CFR 256, Subpart I, as amended.

Also, in accordance with regulations pursuant to 43 CFR, part 42, subpart C, the lessee shall comply with the U.S. Department of the Interior's nonprocurement debarment and suspension requirements and agrees to communicate this requirement to comply with these regulations to persons with whom the lessee does business as it relates to this lease by including this term as a condition to enter into their contracts and other transactions. Execution of the lease, which includes an Addendum specific to debarment, by each lessee constitutes notification to the MMS that each lessee is not excluded, disqualified, or convicted of a crime as described in 43 CFR 42.335, unless the lessee has provided a statement disclosing information as described in 43 CFR 42.335, and the MMS receives an exception from the U.S. Department of the Interior as described in 43 CFR 42.405 and 42.120.

STIPULATIONS AND INFORMATION TO LESSEES: The document entitled “Proposed Lease Stipulations and Information to Lessees for Oil and Gas Lease Sale 202” contains the text of the proposed Stipulations and the Information to Lessees clauses. This document is included in the Proposed Notice of Sale Package.

BONUS BID DEPOSIT: Each bidder submitting an apparent high bid must submit a bonus bid deposit to the MMS equal to one-fifth of the bonus bid amount for each such bid. Under

the authority granted by 30 CFR 256.46(b), the MMS requires bidders to use electronic funds transfer procedures for payment of one-fifth bonus bid deposits for Lease Sale 202. Such payment will be due by 11 a.m. Eastern Time the day following bid reading. In addition, certain bid submitters [i.e., those that are NOT currently an OCS mineral lease record title holder or designated operator OR those that have ever defaulted on a one-fifth bonus bid payment (EFT or otherwise)] will be required to guarantee (secure) their one-fifth bonus bid payment prior to the submission of bids. Detailed bid deposit procedures for final NOS 202 will be found within the "Instructions for Making EFT Bonus Payments" document on the MMS website.

JURISDICTION: The United States claims exclusive maritime resource jurisdiction over the area offered. Canada claims such jurisdiction over the four easternmost blocks included in the sale area. These blocks are located in Official Protraction Diagram NR 07-06 and are block numbers 6201, 6251, 6301, and 6351. Nothing in this Notice shall affect or prejudice in any manner the position of the United States with respect to the nature or extent of the internal waters of the territorial sea, of the high seas, or of sovereign rights or jurisdiction for any purpose whatsoever.

UPCOMING MILESTONES: This Proposed Notice of Sale was sent to the Governor of Alaska on the date after it was signed. The Governor of Alaska has 60 days to comment on the size, timing, and location of the proposed sale, as required by Section 19 of the OCS Lands Act (43 U.S.C. 1345). After the Assistant Secretary for Land and Minerals Management receives the Governor's comments a decision will be made on the Final Notice of Sale. The Department of the Interior reserves the right to revise the areas proposed for bidding and associated terms and conditions described in this proposed Notice. If the Assistant Secretary decides to proceed with the sale, a Final Notice of Sale for Beaufort Sea Sale 202 will be published in the Federal Register at least 30 days prior to the date of the public opening of the bids. The Final Notice will also be available at that time from the MMS Alaska OCS Region at the address given in this document under "Addresses" and on our website at www.mms.gov/alaska. The Final Notice of Sale Package will contain all sale terms and conditions and detailed instructions to bidders.